"LIBERTY, THE UNION, AND THE CONSTITUTION."

CITY OF WASHINGTON, THURSDAY MORNING, DECEMBER 10, 1857.

PUBLIC DOCUMENT. REPORT OF THE SECRETARY OF THE TREASURY ON THE STATE OF THE FINANCES.

27 531 922 37

5,358,274 72 19,261,774 16

70,822,724 85

20,929,819 81

36.750.000 00

Six: In compliance with the act of Congress entitled An act supplementary to an act to establish the Treasury Department, approved May 10, 1800, I have the honor to submit the following report: on the lat July, 1856, being the commencement of the fiscal year 1857, the balance in the treasury was......\$19,901,325 45.
The receipts into the treasury during the fiscal year 1857 were \$68,631,513 67,

as follows:
For the quarter ending Sept. 30, 1856—
From customs \$20,677,740 40
From public lands 892,380 39
From miscellan's sources 355,310 57

For the quarter ending Dec. 31, 1856 21,925,431 36 From public lands 14,243,414 90 From public lands 808,252 86 From miscellan's sources 123,999 59 For the quarter ending Mar, 31, 1857-

From customs. 19,055,328 55 From public lands. 1,065,640 11 From miscellan's sources 274,054 90 For the quarter ending June 30, 1857.

11,135,391 40 The aggregate means, therefore, for the service of the fiscal year ending June 30, 1857, were-----

The expenditures during the fiscal year ending June 30, 1857, were \$70,822, Being for the quarter ending September

Being for the quarter ending June 30, 16.960.801 06

Which was applied to the several branches neous-Service in charge of Interior Department

Service in charge of War Department-Service in charge of Navy Department-Purchase of public debt, principal, pre-mium, and interest-

As shown in detail by statement No. 1.

Deducting the expenditures from the aggregate means during the fiscal year, a balance was left in the treasury on July 1, 1857, of.

During the first quarter of the current fiscal year 1858, being from July 1, 1857, to September 30, 1857, the receipts into the treasury were:

From customs. 18,573,729 37

From public lands. 2,059,449 39

From miscellan's sources 296,641 05

The estimated receipts during the three

Making an estimated aggregate of means for the service of the current year.... 75,389,934 08 An exposition of the grounds on which this amount of evenue from customs during these three quarters has een estimated is given in a subsequent part of this re-

The expenditures of the first quarter, ending Septem er 30, 1857, of the current fiscal year, were \$23,714,

The estimated expenditures during the three remaining quarters of the cur-rent fiscal year to June 30, 1858, are-- 51,248,530 04

Leaving an estimated balance in the treasury on July 1, 1858, which will, of course, be affected by any reduction or increase of expenditure not contem-Edinates for the fiscal year from July 1, 1858, to June 30, 1859.

The expenditures are estimated as follows:

50.312.943 13

Aggregate estimated expenditures for the service of the fiscal year to June 30,

It is difficult at all times to estimate in advance the probable receipts into the treasury for the next one and two years. Our revenue being derived principally from duties on imported merchandise entered at the custom-houses for consumption, the amount is necessarily dependent not only upon all those causes which affect trade and commerce, but on such as control the inclinations and ability of the people in the purchase of such merchandise for consumption.

Ordinarily an approximation can be made to the probable result, provided no unlooked for cause shall intervene to disturb the usual course of trade and consumption.

The events of the present fiscal year furnish a striking illustration of the uncertainty of all such estimates from the operation of unforescen causes which exert a controlling influence over the revenue from clistoms.

When the estimates for the present fiscal year were made to the last Congress by my predecessor, it was impossible to foresce either the material change in the rates of duty, which were among its last acts, or the present

the difference between his estimates and those now submitted. With these two disturbing causes mow in view, it is very difficult to form satisfactory estimates of the probable receipts from customs. The tariff act of March 3, 1857, has not been in operation long enough to test its effects upon the revenue even under ordinary circumstances. Simultaneous with this act going into operation the country is subjected to a disastrons revulsion. To what extent importations would have been affected by it, had there been no revulsion in trade and commerce, is now as much a matter of conjecture as-it was before the passage of the act. Experience has thrown no light on the subject. The probability is that it would, to a limited extent, have increased importations, though not to the extent of supplying the deficiency created by the reduction of the duties.

In submitting to Congress, under these circumstances, estimates of the receipts for the present and the next fiscal year, it is deemed proper to accompany them with a statement of facts and principles upon which they have been made, in order that Congress may pass its own judgment upon the credit to which they are entitled.

The exports and imports of the United States have always borne a relative proportion, the respective amounts not often differing materially from each other. Both have steadily increased, with occasional exceptions, with the growth and progress of the country. In seeking, therefore, to ascertain the probable importations into the country, the amount of our probable exports constitutes an important element in the calculation. The exports for the year ending June 30, 1857, amounted to \$362,949,-144, and the imports for the same period were \$360,890,-141. The amount of our exports depends not only on the quantity of some and the value of others may be considerably dinainished, and yet the deficiency thus created may

141. The amount of our exports depends not only on the quantity but the value of the articles exported. The quantity of some and the value of others may be considerably diminished, and yet the deficiency thus created may be supplied by either the increased quantity or value of other articles. It is probable that this very state of things may occur during the present fiscal year. The indications at present are, that the exports of breadstuffs and provisions will decrease both in quantity and value; but the increased value of cotton, at its probable prices, which constitutes much the largest item of our exports, would make up such deficiency. From the best information which can be obtained, the opinion is entertained that the exports for the present fiscal year will not fall below those of last year more than ten per centum.

Looking to the importations for the last ten years, it may be safely stated that the ratio of annual increase has not been less than ten per centum; though, within that period, there were two years in which there was a falling off. This was attributable, doubtless, to temporary causes which do not affect the general proposition.

The foreign merchandise subject to duty imported during the first quarter, ending 30th September last, of the present fiscal year, by the statement marked 3, amounted to \$88,819,385; and the customs received during that quarter were, as stated in the estimates, \$18,573,729 37.

quarter were, as stated in the estimates, \$18,573,729 37.

The tariff of the 3d of March last having gone into operation on the first day of that quarter, the circumstances ration on the first day of that quarter, the circumstances under which a considerable portion of that amount was realized were so exceptional as to form no satisfactory guide for the remaining three quarters of the present fiscal year; and it becomes an important consideration, in view of the probable means in the treasury to meet existing appropriations, to approximate the amount of merchandise subject to duty which will be entered for communical during that varied

chandise subject to duty which will be entered for consumption during that period.

In making the estimates herewith submitted, the
amount of merchandise subject to duty imported during
the corresponding three quarters of the last fiscal year
were taken, being \$210,000,000, to which ten per centum
was added for the annual increase, had there been no disturbing causes—giving for the amount of merchandise
paying duty, under the then existing tariff of 1846, an

aggregate of \$231,000,000.

The inquiry now presents itself, To what extent will this approximated amount of merchandise paying duty be diminished by the revulsion which has come upon the

An answer to this inquiry constitutes the most serious difficulty in the way of making an estimate of the receipts into the treasury from customs. Looking, however, to our probable exports, the great resources of our country, its unexampled prosperity in many branches of industry, its capacity to recover from temporary pressure in its trade and business, the opinion is expressed, with some confidence, that the reduction from this cause will not exceed twenty-five per centum. This would bring the amount of merchandise paying duties down to about one hundred and seventy-four millions for the remaining three quarters of the present fiscal year. For several years the average rate of duty upon all dutiable merchandise, by the tariff of 1846, appears to have been within a fraction of twenty-five per centum, which would produce on that amount forty-three millions of dollars.

The next point of inquiry is, How much will this sum

The next point of inquiry is, How much will this sum be diminished by the reduced rates provided by the act of March 3, 1857?

March 3, 1857?

From the calculations made of duties under that act upon the importations of the last fiscal year, compared with the amount of duty actually realized under the tariff of 1846, it appears that about one-quarter should be deducted for the effect of the tariff of 1857. Ten millions remaining three-quarters of the present fiscal year, thirty-three millions, which has accordingly been placed in the

It will, of course, be understood that the returns of du-

remaining inter-quarters of the present issua year, flurty-three millions, which has accordingly been placed in the estimates.

It will, of course, be understood that the retuins of dutiable merchandise, from which these inferences are drawn, are of merchandise imported, while the customs revenue is exclusively derived from merchandise entered for consumption. In these estimates the amount of merchandise imported is supposed to equal the amount entered for consumption. In periods of commercial difficulty, like the present, the amount of merchandise imported and placed in warehouse without payment of duty will, no doubt, excess the amount entered for consumption; but such excess is generally temporary, and is soon obviated by diminished importations and increased withdrawals for consumption, which restores the equilibrium without giving occasion for the discussion of such details in any general statement of the revenue.

The receipts from customs for the next fiscal year, from July 1, 1858, to June 30, 1859, will depend in a great measure upon the extent to which commercial and monctary transactions shall have returned to their ordinary channels. It is probable that the immediate effects of the present revulsion in trade will have ceased by that time, and that the usual amount of dutiable merchandise will be required for consumption. The estimate submitted is based on the amount of three hundred and seventy millions of dutiable merchandise, being the amount assumed for the present fiscal year with the usual increase, and without any deduction for the effects of the present revulsion. Upon this amount the customs, under the act of 1846, with the deduction heretofore explained for the effect of the tariff of 3d March last, would produce about sixty-nine and one-half millions of dollars.

The amunual estimates in detail, as prepared by the Register of the Treasury, are presented separately by this sleparatment. These estimated expenditures are divided into three classes:

1. Balances of unexpended appropriations wh

rity of the public credit, requires that this department shall be provided with means to meet lawful demands without delay. During the remainder of the present fe-

revulsion in trade and commerce, both of which have deeply affected the revenue, and satisfactorily account for revenue will be received in the course of the year to meet the difference between his estimates and those now submitted. With these two disturbing causes now in view, it is very difficult to form satisfactory estimates of the probable receipts from customs. The tariff act of March it is very difficult to form satisfactory estimates of the probable receipts from customs. The tariff act of March its effects upon the revenue even under ordinary circumstances. Simultaneous with this act going into operation the country is subjected to a disastrous revulsion. To what extent importations would have been affected by it, had there been no revulsion in trade and commerce, is

vided.

Such provision should be made at the earliest practicable period, as a failure of sufficient means in the treasury may occur at an early day. The exigency being regarded as temporary, the mode of providing for it should be of a temporary character. It is, therefore, recommended that authority be given to this department by law to is suc treasury notes for an amount not to exceed twenty millions of dollars, payable within a limited time, and carrying a specified rate of interest, whenever the immediate demands of the public service may call for a mediate demands of the public service may call for a greater amount of money than shall happen to be in the treasury, subject to the treasurer's drafts in payment of

warrunts.

The fact that such temporary exigency may arise from circumstances beyond the foresight or control of this department makes some adequate provision to meet it indispensable to the public security.

Previous to the passage of the act of March 3, 1849, which requires all money receivable from customs and other sources to be paid into the treasury without abatest of impution the whole previous for failuration the school expresses of collection the

ment or diminution, the whole expenses of collecting the revenue from customs were defrayed from the moneys collected, and the balance only was paid into the tressury. The expenses of collecting the customs in California and Oregon were excepted from the operation of that act by the third section of the act of September 28, 1850, and the mode of defraying the expenses of collection which exmode of defraying the expenses of collection which existed previous to the act of March 3, 1849, has been con-

sted previous to the act of March 3, 1849, has been con-equently continued at the custom-houses on the Pacific coast up to the present time.

The joint resolution approved 14th February, 1850, nakes a permanent appropriation for the expenses of col-cetting the customs of one million two hundred and eventy-five thousand dollars for each half year, together with such sums as may be received for storage, &c., until Congress shall act upon the subject. During the first four years of the operation of the act or 3d March, 1849, the expenses did not equal the amount of this appropria-tion, and a considerable balance had accumulated, which has enabled this department to defray the expenses of the last four years, which have considerably exceeded the amount so appropriated as is shown by statement mount so appropriated, as is shown by statement

this department will not be able longer to derray the expenses of collecting the customs unless Congress shall now act upon the subject.

In order that this important branch of the public service may be conducted with promptitude and efficiency, I recommend that Congress shall, at its present session, legislate upon this subject, to operate from the 1st of January, 1858, which will put an end to the permanent appropriation under the king resolution from that date. January, 1858, which will put an end to the permanent appropriation under the joint resolution from that date. For the fiscal year ending the 30th June, 1857, the expenses of collecting the customs considerably exceeded three millions of dollars, exclusive of those of the ports on the Pacific coast, which amounted to nearly half a million, as shown by statement marked 5. For the half of the current fiscal year, extending from 1st January to 30th June, 1858, at least one million six hundred thousand dollars will be required to defray fiese expenses in the Atlantic States, and I recommend that sum to be appropriated for that period.

The reasons which originally led to the exception of the custom-houses on the Pacific coast from the opera-

tion of the general law of 1849 no longer exist in the same force as formerly, but the system cannot be suddenly changed without much inconvenience. I propose that, during the remainder of the carrent fiscal year, these expenses be defrayed, as heretofore, out of the accruing revenue; but, from the commencement of the fiscal year on the 1st July, 1858, that provision be made by law that the whole receipts from customs and all other sources on the Pacific coast be paid into the treasury under the act of 1849, and the expenses of collection be defrayed out of appropriations for that purpose. To meet the expenses of collecting the customs throughout the entire United States during the fiscal year ending 30th June, 1859, will probably require \$4,000,000.

increase of these expenses, from year to year, since the passage of the act of 1849. It also shows a correspond-ing increase in the amount of merchandise imported and duties paid. But the latter are not sufficient to explain ly contributed to swell these expenses. When the public revenue happens to be abundant, many projects are lis-tened to and adopted by Congress without careful regard to the burdens they may permanently impose. The building new revenue-cutters, not needed for the enforcereneric, at points not required for the collection of the revenue; and the erection of expensive buildings for officers of the customs and other public officers are of this class. The original outlay for these projects is usually provided *for by special appropriations, and their amount is the principal object that attracts attention. But, under the existing system, every one of these appropriations of necessity imposes an additional attention. But, under the existing system, every one of these appropriations of necessity imposes an additional and permanent charge upon the expense for collecting the customs. New revenue cutters must be equipped, kept in repair, provided with officers and men, and maintained in a state of efficiency at a large annual charge upon the expenses for collecting the customs, that they may be in constant readiness to relieve vessels in distress, or perform some other duty equally remote from their appropriate and legitimate functions of enforcing the laws. New ports of entry or of delivery created by law at points remote from the ordinary channels of direct foreign commerce must be provided with officers paid by annual salaries or other emoluments as expenses of collecting the customs. New buildings must be furnished, warmed, lighted, and kept in a state of repair and cleanliness, under the direction of suitable officers with proper compensation. All charges of such character are now defrayed out of the appropriation for the expenses of collecting the customs. While the public revenue has recently rapidly diminished, these charges are daily increasing in amount.

The public debt, on the left July, 1857, was \$29,650.

The public debt on the 1st July, 1857, was \$29,060,-386 90. Since that time there has been paid the sum of \$3,05,232 39—leaving the public debt at this time \$25,165,154 51. Since the 3d March last there has been paid of the public debt \$4,878,377 53. The details are shown by the statements marked 6, 7, and 8. The department continued the purchase of stock as long as the law and a proper regard for the public interest would justify. The object was to redeem, as far as possible, our outstanding debt which had a number of years to run, whilst the payment of the large sums from the treasury required for this purpose was affording relief to the commercial and other interests of the country, which were then struggling to ward off the revulsion which finally came upon them. At that time it was not seriously apprehended that the revulsion would so greatly affect the trade and business of the country; but, looking even to the most unfavorable result that could happen, it was thought that the treasury, if compelled to resort to a loan to meet any temporary deficiency that might occur, would suffer no injury from having the character of the loan changed from debts failing due at a distant period to treasury notes, at a less rate of interest, and which could be redeemed at the pleasure of the department.

A revulsion in the monetary affairs of the country always occasions more or less of distress among the people. The consequence is, that the public mind is directed to the government for relief, and particularly to that branch of it which has charge of its financial operations. There are many persons who seem to think that it is the duty of the government to provide relief in all cases of trouble and distress. They do not stop to inquire into the power which has been conferred by the people upon their agents, or the objects for which that power is to be exercised. The public debt on the 1st July, 1857, was \$29,060,

Their inquiry is limited to the simple fact of existing embarrassments, and they see no other agency capable of affording relief, and their necessities, not their judgments, force them to the conclusion that the government not only can, but ought to relieve them. A moment of calm reflection must satisfy every one that such is not the true theory of our government. It is one of limited powers, to be exercised for specified purposes.* Its operations, political and financial, should be conducted within these prescribed limits in that manner that it will most certainly effect the object for which the power was conferred. In doing this it should be the policy, as it is unquestionably the duty, of the government so to conduct the other its office who returns to his country to an induce the object for which the power was conferred. larsh or unjust. The estimates of receipts into the treasury for the present fiscal year exhibit the fact that the income of the government will be considerably reduced. In this state of things it is seriously urged that our expenditures should be increased for the purpose of affording relief to the country. Such a policy would doubtless furnish employment to large numbers of worthy citizens. It would require the use of large amounts of money, to be raised either by a loan or the issuing of treasury notes, and would thus afford temporary relief to the country to an extent limited only by the discretion of the government in this unanthorized use of the public treasure and credit. But where shall we look for the power to do this in the constitution? What provision of that instrument authorizes such a policy? The absence of a satisfactory reply to these inquiries is an unanswerable argument to the suggestion. In the discharge of its legitimate functions the government is required to expend large sums of money in the building of vessels-of-war; the crection of custom-houses and other public buildings; the preparation of the defences of the country, and in a variety of other ways, which give employment to labor, and draw from the treasury the money which has been collected from the people for these purposes. There might and would be just cause of complaint if the government, under the pressure of either an imaginary or real monetary crisis, should suddenly stop these extensive operations, and by throwing large numbers of employees out of service add to the distress and suffering which the revulsion had already created. Being engaged in the prosecution- of necessary and legitimate works for the public service, it would be the policy and duty of the government to continue their prosecution, even though it should occasion the necessity of increasing its available means by some extraordinary measure. The discontinuance of such works has not been and is not now contemplated, and to this extent the country may look with p There are other public works of less necessity, which for a variety of causes have not been commenced. A temporary postponement of them will violate no existing contracts; will deprive no one of employment to which he is authorized to look; will inflict no wrong upon any portion of the people; but will enable the government to realize its means in advance of its expenditure of them, and perhaps avoid the necessity of increasing the public delay. and perhaps avoid the necessity of increasing the public debt. A system of public economy, regardful alike of the just claims of the people and the protection of the treasure and credit of the government, must command the approval of the country; and it is upon such prin-ciples it is proposed to conduct the financial department of the government in the present crisis.

As a measure of relief to the country, it is proposed to

As a measure of relief to the country, it is proposed to increase the tariff. A return to a high protective system is regarded by some as the surest mode of extricating the country from its embarrissments, and affording immediate as well as permanent relief to the public distress. The people are already suffering from distress, and the proposition seeks to diminish their suffering by adding to their burdens. The earnestness and ability which have been brought to the support of this proposition demand that its merits should be examined with some care; and without attempting an elaborate exposition of a question which has heretofore commanded so much of the public attention, it is deemed proper to refer to some of the con-

siderations which render the adoption of such a policy unwise and improper.

The theory of the protectionists is this: that under a The theory of the protectionists is this: that under a low tariff the importation of foreign manufactures is encouraged, and, being brought into the country at lower prices than they can be produced, the competition with the domestic manufacturer is uninous to his business. The remedy is, to raise the duties upon the foreign article to such a point that either it will be excluded, and thus give to the domestic manufacturer the entire home market or to the domestic manufacturer the entire home market, or else it will be so increased in price by the additional duty

If the increased duty neither diminishes the doinestic manufacturer monopolizes the home market, and commands his own price. The relief he needs is a higher price for his goods, and, as a matter of course, unrestrained as he will then be by the laws of competition, he will so raise his prices as to remedy the evil of low prices of which he had complained. The effect upon the consumer is clear. He must pay the increased price thus put upon the article of consumption. Nor does it stop there. Under the existing state of things, when he has purchased the article he has not only furnished himself with the goods he needed at the reduced price, but at the same time has paid into the treasury the tax required of him for the support of government. The measure of relief proposed by the protectionists increases the price he is required to pay for his goods, and where the foreign article is excluded leaves his tax unpaid. This deficiency in the revenue must be supplied, and he is called upon to pay it from his other resources. The proposed measure of relief thus imposes upon him these additional burdens in the increased the domestic manufacturer monopolizes the home market, and commands his own price. The relief he needs is a actures. The proposed measure of relief thus imposes upon him these additional burdens in the increased price of his goods and the additional tax he is required to pay. If, however, the increased duty should not exclude the importation of the article, but simply advance the price to a remunerating point to the domestic manufacturer, the effect upon the consumer would be to require him to pay the additional price not only upon the foreign article, but also upon the domestic manufacture. The amount of taxation put upon him for the benefit respectively of the treasury and the domestic manufacture will depend upon the relative proportion of the foreign and domestic article he may consume. In no event can will depend upon the relative proportion of the foreign and domestic article he may consume. In no event can the increased duty operate to the advantage and relief of the manufacturer except by a corresponding injury to the consumer. The amount of benefit conferred and injury sustained by the proposed relief measure would depend upon the relative number of manufacturers and consumers of the articles upon which the increased duties were hid; and as the number of consumers exceed the number of manufacturers, so would the injury sustained exceed the benefit conferred. A policy so partial and unjust in its operations cannot command the approval of the country.

Begarding the suggestion as a proposition to return to the protective system, it is obnoxious to all the objections which have been heretofore so forcibly and successfully treed against it.

avenues for our increasing trade.

The American officer who returns to his country to an nounce the successful terminations of his mission, in having made new and favorable commercial treaties, is halled as a public benefactor, and all classes unite in doing him

ing made now and favorable commercial treaties, is halied as a public benefactor, and all classes unite in doing him honor. In these demonstrations no one participates were cordially than the protectionists. If, upon the annomicement of the discovery of a new country which promised a large and lucrative commercial intercourse, with our own, it should be similitaneously proposed to impose upon that commerce restrictions that would close our ports to the entry of its productions, under the false theory of protecting home industry, what would be the judgment of an enlightened public opinion upon the wisdom of a people who first expended their treasure in discovering new marts of trade, and immediately denied themselves all the promised benefits to be derived from it? In the case supposed the proposition would be more startling, but not more unreasonable, than when applied to our intercourse with those countries between whom and ourselves a commerce has grown up from small beginnings to its present large dimensions. This has been accomplished through a policy inaugurated by our own government, and which has commanded the approval of enlightened minds throughout the world. Other countries have, in their legislation of late years, manifested, by reducing their duties upon imports, a desire to co-operate in the work of throwing off those shaddles upon the freedom of

their legislation of late years, manifested, by reducing their duties upon imports, a desire to co-operate in the work of throwing off those shackles upon the freedom of commerce which false theories have placed upon it. It would present a strange spectacle if the United States should be the first to commence a retrograde movement. The sentiment among our people in favor of tree commercial intercourse is manifested in their domestic as well as foreign policy. The strong feeling in the public mind for the extension of our territorial limits is generally attributed to the desire for more land. That it operates to some extent is freely admitted; but such a cause fails in its application to those cases where the acquisition of new some extent is freely admitted; but such a cause hate in its application to those cases where the acquisition of new territory brings with it no proprietary title to the land. And yet the public sentiment for acquiring territory, where every foot of it is held by private titles, is as deci-ded as in any other case. It is accounted for satisfactori-ly only upon the theory that, as our territorial limits are extended, we enlarge the area of free trade, opening new warkets for the everlations of our indivity, untrangell. narkets for the productions of our ludustry, untrammelled with those restraints which a restrictive international

which have so seriously affected our manutacturing interest are attributable to the want of a high protective system. In the policy which the government has adopted of allowing many of the raw materials used by them to come in, either free of duty or at low duties, in the incidental protection which a tariff laid for the purpose of revenue gives them—in the increasing consumption of their productions, brought about by the general prosperitheir productions, brought about by the general prosperi-ty of the country, they will find the most ample encour-agement that could reasonably be expected or desired. Like all other interests in the country, they suffer from the too frequent changes of the tariff, and from those fluctuations in business which flow from causes wholly distinct and separate from the tariff question. What they need is steady prices, a sound currency, and protection against the ruinous effects of expansions in the credit tion against the ruinous effects of expansions in the credi system. From a free and unrestricted commerce with the world, no interest in our country would derive a more

penditures for the present and next years, no change recommended in the act of March 3, 1857, at this time recommended in the act of March 3, 1857, at this time The present tank is not regarded as perfect; far from it It has, however, been in operation less than six months-a length of time too short to judge of its workings, ever under the most favorable circumstances. This fact, it connexion with the revulsion in business, makes it wholl; mpracticable to form a correct judgment upon its merit of various articles, and other amendments, would greatly unnecessary to make any radical change in its general provisions. The propriety of postponing any action upon the subject until an opportunity has been offered of test-ing its general merits seems to admit of no serious doubt.

Returning to the question of relief which is expected the consideration of a proper revuestor, as preliminary or the consideration of a proper remedy for it. Public opin-ion generally holds the banks responsible for all our em-barrassments. The true cause is to be found in the un-due expansion of the credit system. The banks consti-tute an important part of that system; but there are other elements entering into it which, equally with the question of the banks, demand public consideration.

Credit confined to its legitimate functions is the rep-

resentative of capital, and when used within that limit may extend and invigorate trade and business; when it ceases to be such representative it stimulates overtrading, excites speculation, and introduces an unsound state of things in the business of the country. It is this undue expansion of credit which has brought the country to its present embarrassments. The extension of bank credits and the over-issue of bank notes is a part, and a very present expansion. and the over-usue of bank notes is a part, and a very important part, of this undue expansion. A spirit of speculation being created, a demand is made upon the banks for the use of their credit, and, yielding to the pressure, they respond by the increased issue of their notes, and by enlarging their discounts. The extent to which the banks have enlarged their credit beyond its constitute is not to be measured alone by the appearance of the processes and the second state. which the banks have enlarged their credit beyond its proper limits is not to be measured alone by the amount of their circulation. At the time the New York city banks suspended specie payments in October, they reported a larger amount of specie in their vaults than their notes in circulation, and notwithstanding this fact they were unable to meet the demands of their credit operations under their deposite system. Having extended their own credit, and enabled their customers to do the same, they were unprepared for the revulsion which came upon them. If it be true that our embarrassments have been occasioned by the cause here assigned, we must look beyond the action of the banks to the operations of other corporations as well as individuals to fathom the entire cause of our difficulties. The limits of this report will not admit of a detailed examination of this subject, but a solitary illustration will present the subject in its proper light. In answer to a circular letter addressed to the various milroad corporations of the country, the information contained in table No. 9 has been obtained. It appears from this statement that the capital of these companies amounts to \$491,435,664; their indebtedness to \$417,243,664. The annual interest upon the latter sum is \$25,093,203; their annual income was \$48,406,488.

It is proper here to remark that this statement is not entirely accurate; some of the companies failed to respond to the circular of the department, and in such cases the returns made by them during the preceding year, and contained in the last report of my predecessor, have been used in the preparation of the table. Whilst it cannot, therefore, be considered as perfectly accurate, if approxi-

used in the preparation of the table. Whilst it cannot therefore, be considered as perfectly accurate, it approximates it sufficiently near for the illustration of my argument. It exhibits the extent to which this class of cord porations has contributed to that expansion of credi which is properly chargeable with the recent revulsion

pt auditor

83-POSTMASTERS are authorized to act as our agents; and by coding us nyw DALLY subscribers, with \$50 enclosed; or syx SEMI-VERKLY subscribers, with \$25 enclosed, will be entitled to a copy

credit, a speedy adjustment of the relations between creditor and debtor by liquidation and actilement is the surest mode for the restoration of the equilibrium.

Wild and chimerical speculations will thus have their termination, industry will be better embled to realise literober expectations, and the substantial interests of society, being relieved from the noxious influence of excitement, overaction, and disorder, will resume their accustomed energy in communicating a healthful and vigorous activity to the business of the country. The proper agency of the government in such a case is to remove whatever impediment may exist to, the exertion of the native force of society, and to extract from the experience they have gained lessons to be imbodied in wholesome and well-considered laws to prevent the recurrence of the evil.

ence they have gained lessons to be imbodied in wholesome and well-considered laws to prevent the recurrence
of the evil.

It is evident that the great moneyed corporations
created under the laws of the States have had a controlfling influence in the undue expansion of private credit.
In many of the States the legislation in respect to these
is stringent, and imbodies many of the safeguards that
experience has suggested for their regulation.

But it will not be denied that this legislation has been
ungatory. The State authorities have already manifested
an eager disposition to relieve them from the penalties
they have incurred, and to dispense, as far as they were
able, with the performance of the obligations they had
exacted from them when they were organized. This has
been done, in some cases, without an inquiry into their
condition or management, or their capacity to resume
their position as solvent institutions, or even to protect
the community from a depreciated paper currency.

In my judgment, the period has arrived for Congress to
employ the powers conferred by the constitution upon it
to mitigate the present evil, and to prevent a catastrophe
of a similar kind in future; and for this purpose a compulsory bankrupt law, to include two classes of corporations and companies, is necessary. It should be a law
for the protection of creditors, not the relief of debtors;
to prevent improper credit, not to pay improvident debts;
compulsory, not voluntary. The effect of such a law

to prevent improper credit, not to pay improvident debts; compulsory, not voluntary. The effect of such a law would be felt more in its restraining influence than in its

a which have heretofore existed, and were abandoned after a short and unsatisfactory experience. The first was adopted the 4th April, 1800, and was repealed the 19th December, 1803. It provided for a compulsory process of bankruptcy against those merchants and commission agents, at the suit of creditors, whose insolvency had of bankruptcy against those merchants and commission agents, at the suit of creditors, whose insolvency had become manifest by certain overtacts of fraud or defalcation, and effected a collection and distribution of the estate of the bankrupt through the judicial tribunals of the United States, which was followed by his discharge from the debts his estate had not satisfied. The second act was passed 12th August, 1841, and was repealed the 3d March, 1843. This act, besides the compulsory system of the act of 1800, contained a system of lankruptcy, to be applied on the petition of an losolvent debtor, of any class or profession, and to result in his relief from his debts and engagements, upon the surrender of his property and compliance with other conditions of the act. There are grave objections to the present adoption of the systems developed in these statutes. The voluntary feature of the act of 1841 is rejected as unwise, unjust, and unnecessary. It was this provision which rendered that law so justly odious in the public mind. Nor do I propose to extend the provisions even of a compulsory bankrupt, law to the numerous cases covered by the act of 1841. It is better to leave to the operation of the insolvent and bankrupt laws of the several States all cases which do not, from their magnitude and importance, affect the general commercial and business interests of the

solvent and bankrupt laws of the several States all cases which do not, from their magnitude and importance, affect the general commercial and business interests of the country. It is believed that the power of the States is ample to meet such cases, and the propriety and policy of exercising such powers will, sooner or later, be developed by the lessons of bitter experience.

The two cases which it is now proposed to bring under the operation of a compulsory bankrupt law are banks and railroad corporations. The immense capital cuployed by these companies, their controlling power and influence in the commercial and business operations of the country, their disposition to expand and enlarge their credit, and the ruinous effects produced by their operations when carried beyond legitimate bounds, impose upon the government the duty of providing by every constitutional means in their power for the safe, proper, and legitimate conduct of such corporations. The facts which are presented in other portions of this report, developing the condition and operations of these two classes of corare presented in other portions of these two classes of cor-porations, will fully justify the policy now recommended. The object is not to injure them, but to protect the com-munity. The effect will be to restrain their operations within proper limits, and thereby insure to the country all the benefits they are capable of conferring, without the accompanying hazards of wild speculations and ruinous revulsions.

revulsions.

In closing my observations on, this subject, it is proper to state that these recommendations are not formed in any spirit of hostility to these corporations and companies, nor am I insensible of their vast importance in the nies, nor am I insensible of their vast importance in the commercial system of the United States. Nor have I any disposition to denounce any punishment, nor to subject them to any loss, in the present conjunction of their af-fairs. My object is to place them in subjection to whole-some laws, so that, while the benefits they yield to the community may be preserved, their excesses or errors will be counteracted or prevented.

The details of any act formed on the principle I have

will be counteracted or prevented.

The details of any act formed on the principle I have suggested should be adopted after an enlarged inquiry into their condition, and should imbody the most liberal provisions for the security of the rights of the persons interested in them. A reasonable time should also be allowed to the corporations which are now in default to re-establish themselves before this act becomes operative. During this financial crisis and general derangement of the currency, the collection and disbursement of the public revenue have proceeded without loss or embarrassment. The operations of the independent treasury system, in ordinary times, had been found by experience eminently successful. The danger of loss from unfaithful and inefficient officers, the expense of conducting its operations effects upon commercial progress and the general business of the country—all of which was apprehended by the opponents of the measure at the time of its adoption—have been demonstrated to be unfounded. It only remained to encounter a commercial crisis like the present to vindicate the Justice and wisdom of the policy against all cause of complaint or apprehension. A brief comparison of the operations of the Treasury Department during the suspension of 1837 and the present time will place the subject before the public mind in the most satisfactory manner. On the 30th of June, 1837, immediately after the gen-

namer.

On the 30th of June, 1837, immediately after the general suspension, the deposite banks held to the credit of the Treasurer of the United States, and subject to his draft, the sum of \$24,994,158 37—a larger amount, in proportion to the receipts and expenditures of the government, than there was in the treasury at the time of the suspension by the banks the present year. The funds of the government being then under the control of the banks, and they either unwilling or unable to pay, the government was placed in the anomalous condition of having an overflowing treasury, which it was seeking to deplete by distribution or deposites with the States, and yet unable to meet its most ordinary obligations. It had either to make its payments and deposites in the depreciated currency which suspended banks forced upon the country, or postpone their payments until, from its credit or other ordinary resources, it could command the means for that purpose. It is unnecessary to detail the expedients to which the government was forced to resort at that time. The embarrassment consequent upon this state of things will be remembered by those who participated in the scenes of that day. It will be realized by every one from this brief presentation of it. The effort of the government to withdraw its deposites and get control of its funds was felt as an additional blow aimed at the banks. Every dollar which could thus be drawn from the vanils of the banks. Beganding the suggestion as a proposition to return to the protective system, it is obnoxious to all the objections which have been heretofore so forcibly and successfully urged against it.

The day has passed in this country for increasing restrictions upon commerce, and it is hoped that the same structure of the structure of the sum of the sum of the sum of the sum of the structure of the sum of the su